WUXI BIOLOGICS (CAYMAN) INC.
藥明生物技術有限公司*
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2269)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2019

FINANCIAL HIGHLIGHTS

	Six months ended June 30,		
	2019	2018	Change
	RMB million	*RMB million*	
Revenue	**1,607.1**	1,054.4	52.4%
Gross Profit	**671.0**	414.7	61.8%
Gross Profit Margin	***41.8%***	*39.3%*	
Net Profit	**449.5**	249.6	80.1%
Net Profit Margin	***28.0%***	*23.7%*	
Profit attributable to equity shareholders of the Company	**450.0**	249.6	80.3%
Adjusted Net Profit	**521.5**	296.7	75.8%
Adjusted Net Profit Margin	***32.4%***	*28.1%*	
Adjusted net profit attributable to equity shareholders of the Company	**522.1**	296.7	76.0%
	RMB	*RMB*	
Earnings per share — Basic	**0.37**	0.21	76.2%
— Diluted	**0.34**	0.19	78.9%
Adjusted earnings per share — Basic	**0.42**	0.25	68.0%
— Diluted	**0.39**	0.23	69.6%

The Board resolved not to declare any interim dividend for the six months ended June 30, 2019.

Non-IFRS Measure

To supplement the Group's condensed consolidated financial statements which are presented in accordance with the IFRS, the Company has provided adjusted net profit, adjusted net profit margin, adjusted net profit attributable to equity shareholders of the Company, adjusted EBITDA, adjusted EBITDA margin and adjusted basic and diluted earnings per share (excluding the share-based compensation expenses and foreign exchange gains or losses) as additional financial measures, which are not required by, or presented in accordance with, the IFRS. The Company believes that the adjusted financial measures are useful for understanding and assessing underlying business performance and operating trends, and that the Company's management and investors may benefit from referring to these adjusted financial measures in assessing the Group's financial performance by eliminating the impact of certain unusual items that the Group does not consider indicative of the performance of the Group's business. However, the presentation of these non-IFRS financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with the IFRS. You should not view the adjusted results on a stand-alone basis or as a substitute for results under the IFRS.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

As a leading global biologics technology and enabling platform, the Group continues its effort in offering a single-source service platform to enable its partners to discover, develop and manufacture biologics from concept to commercial manufacturing through the "Follow-the-Molecule" strategy. The Group's unparalleled and ever-increasing capabilities and capacity, together with its improvement in operational efficiency, all contributed to its strong growth during the Reporting Period.

- The total number of integrated projects increased from 187 as at same period last year to 224 as at June 30, 2019.

- The total number of pre-clinical projects increased from 98 as at same period last year to 106 as at June 30, 2019.

- The total number of early-phase (phases I and II) projects increased by 31% from 78 as at same period last year to 102 as at June 30, 2019 (75 in phase I and 27 in phase II, respectively).

- The number of late-phase (phase III) projects increased by 50% from 10 as at same period last year to 15 as at June 30, 2019.

- The Group continued to successfully progress more projects from pre-IND stage to post-IND stage: 10 projects progressed from pre-clinical development stage to early-phase stage during the Reporting Period.

The Group's first commercial manufacturing project has commenced production in the Wuxi site Manufacturing 1 ("**MFG1**"), which is the first and only biologics manufacturing facility in China approved by both the U.S. FDA and the EU EMA. The dual-approval fully validates the Group's commitment in maintaining the highest global quality standards while providing powerful support for its unique manufacturing paradigm "Global Dual Sourcing within WuXi Bio".

The following table sets forth the status of the on-going integrated projects of the Group as at June 30, 2019:

Biologics development process stage	**Number of on-going integrated projects[1]**	**Typical duration**	**Typical Service Revenue[2]**
Pre-IND			
— Drug discovery	—	2 years	US$1.5-2.5 mm
— Pre-clinical development	106	2 years	US$4-6 mm
Post-IND			
— Early-phase (phases I & II) clinical development:	102	3 years	US$4-6 mm
— Phase I clinical development	(75)		
— Phase II clinical development	(27)		
— Late-phase (phase III) clinical development	15	3-5 years	US$20-50 mm
— Commercial manufacturing	1	Annually	US$50-100 mm[3]
Total	**224**		

Notes:

(1) Integrated projects are projects that requires the Group to provide services across different divisions/ departments within the Group and across various stages of the biologics development process.

(2) Milestone fee can be paid at different research and development ("**R&D**") stages, while royalty fee will be charged for 5-10 years or until expiration of the patent once the new drug launches in the market.

(3) Estimated value when biologic drug reaches its peak sales. A biologic drug typically reaches its peak sales after a ramp-up period.

The Group's revenue for the six months ended June 30, 2019 reached RMB1,607.1 million, representing an increase of 52.4% as compared to the same period of 2018. The Group's total backlog, including service backlog and upcoming potential milestone fees, also substantially increased 159.8% from US$1,782 million as at June 30, 2018 to US$4,630 million as at June 30, 2019, of which service backlog increased 225.1% from US$534 million to US$1,736 million and upcoming potential milestone fees increased 131.9% from US$1,248 million to US$2,894 million respectively. The service backlog represents the amount which the Group has contracted but yet to perform. The total upcoming potential milestone fees represent the total amount for upcoming milestone fees, which the Group has contracted but has not yet performed nor received and will take a longer term to charge at various development stages, depending on the success rate and progress of the projects which may not be within the Group's control.

The Group continues to drive its capability and capacity growth in pursuit of the "Follow-the-Molecule" strategy. During the Reporting Period, the Group constantly innovated and iteratively improved proprietary technology platforms by exploiting cutting-edge technologies and industry best practice, including but not limited to:

- WuXiBody™, a bispecific antibody platform which can considerably expedite bispecific development at a much lower cost;

- WuXia, a cell line development platform that enables the Group to launch more than 60 IND-enabling projects per year, one of the largest capacities in the world; and

- WuXiUP, a continuous manufacturing platform that utilizes 2,000L disposable bioreactors to achieve comparable productivity as a traditional 20,000L stainless steel bioreactor while still providing similar or even better purification yield.

Backed by these industry leading technologies, new strategic collaboration agreements were signed and more biologics projects were introduced into the Group's pipeline under the "Follow-the-Molecule" strategy during the Reporting Period, such as the US$220 million expanded strategic collaboration with ABL Bio, a South Korean listed biotechnology company (Stock code: 298380:KS), by which the Group licensed technology platforms, including WuXiBody™, to ABL Bio for development of novel bispecific antibodies and immune-oncology program.

The Group also achieved important milestones at remarkable speed for its capacity expansion during the Reporting Period to implement its "Global Dual Sourcing within WuXi Bio" manufacturing paradigm, with which the Group's partners can manufacture from facilities within the Group's global supply network in China, EU and US to ensure their global supply and eliminate the risks associated with inter-company technology transfer.

The combination of the "Follow-the-Molecule" strategy and the "Global Dual Sourcing within WuXi Bio" paradigm offers powerful advantages to the Group's partners. The Group and Amicus Therapeutics ("**Amicus**"), a global, patient-dedicated biotechnology company listed on NASDAQ (Stock code: FOLD), entered into an exclusive commercial manufacturing partnership for Amicus' Pompe biologic ATB200. The Group will be the exclusive commercial drug substance (DS) manufacturing partner and key commercial drug product (DP) supplier of ATB200. The ATB200 program was initiated at the Group in 2012 at the initial drug concept stage and now the drug has progressed into a pivotal study. By leveraging cutting-edge technology, best timelines, excellent track record and unparalleled capabilities and capacity, the Group kept improving the core competencies to become the most comprehensive technology platform in the global biologics industry to benefit patients globally.

During the Reporting Period, the Group further diversified its customer base by working with 13 out of the 20 largest pharmaceutical companies in the world and 23 of the 50 largest pharmaceutical companies in China. The Group provided services to 194 customers for the six months ended June 30, 2019, compared with 168 customers for the same period last year. The average revenue per customer among the top ten customers grew 31.5% from approximately RMB60.7 million for the six months ended June 30, 2018 to approximately RMB79.8 million for the six months ended June 30, 2019 as a result of more projects progressing into later stages and more projects offered to the Group by customers. The Group believes that continuous capability and capacity expansion as well as cooperation with and commitment to its existing customers will enhance its value chain and continue to capture the opportunities in this growing market in the future.

Subsequent to the establishment of a joint venture engaging in vaccines CDMO business in July 2018, the Group took another firm step into the vaccines CDMO business by entering into a strategic partnership via a letter of intent (LOI) with a global vaccine leader. Pursuant to this LOI, the Group will, through a company to be established jointly by it and Shanghai Hile Bio-pharmaceutical Co., Ltd. (上海海利生物技術股份有限公司), a company listed on Shanghai Stock Exchange (Stock code: 603718), build an integrated vaccines manufacturing facility, including drug substance manufacturing, drug product manufacturing as well as quality control labs, and manufacture certain vaccine for the Group's vaccine partner. It is expected that the manufacturing contract will be for an initial term of twenty years with a total contract value of over US$3 billion. This partnership with a global vaccine leader to manufacture vaccines for the global market showcases the Group's technical strengths and premier quality standard. Once this project is initiated, the vaccine business will contribute substantially to the Group's business growth.

Our Facilities

During the Reporting Period, we had three operational sites in Wuxi, Shanghai and Suzhou, respectively, all conveniently located within driving distance from each other.

Wuxi Site

The Wuxi site houses part of the clinical and commercial manufacturing facilities, and also provides services such as assay, formulation and process development, process validation, lot release testing, stability studies, drug product formulation, fill and finish, and regulatory support services for recombinant protein, monoclonal antibodies ("**mAbs**") and antibody drug conjugates ("**ADC**").

The Group's MFG1, the first and only biologics manufacturing facility in China approved by both the U.S. FDA and the EU EMA, has been manufacturing commercial products for customer since 2018. MFG1 maintained cGMP run for customer orders and kept high capacity utilization rate during the Reporting Period.

The Group's Manufacturing 2 ("**MFG2**") is the largest biologics manufacturing facility globally leveraging single-use bioreactor technology as of 2018. It deploys fourteen 2,000L-capacity and two 1,000L-capacity disposable bioreactors. The combination of multiple single-use bioreactors offers a highly flexible manufacturing strategy and competitive cost structure compared with traditional stainless steel bioreactor facilities. MFG2 began its cGMP biologics manufacturing in December 2017 and conducted a process validation campaign at 6,000L scale to support global product registration and launch for a key partner in July 2018. MFG2 is primarily used for late-phase projects manufacturing.

The Group's Manufacturing 4 ("**MFG4**") has completed its construction and further achieved GMP release in July 2019. MFG4 is the fourth GMP released drug substance facility of the Group and the first facility in China to use a 4,000L-capacity bioreactor, which is the industry's largest disposable bioreactor. In addition, the facility has installed two 2,000L-capacity and two 1,000L-capacity single-use bioreactors for flexible production options for the Group's customers. The facility can support fed-batch, concentrated fed-batch (CFB) and other new types of cell culture processes.

The Group's state-of-the-art integrated biologics conjugate solution center in the New District of Wuxi city also completed its initial construction phase. The first facility at the center, the Group's Drug Product Facility 3 ("**DP3**"), is 6,000 square meters and provides integrated solutions from concept to commercialization for biological conjugates, including ADCs and other protein conjugates, in accordance with global quality standards. During the Reporting Period, the Group further planned to expand the center with an additional facility to enable cGMP commercial manufacturing for ADCs drug substance and drug product. The center is expected to initiate GMP manufacturing later this year.

In July 2019, the Group's Drug Product Facility 4 ("**DP4**") in the Wuxi site was GMP released for GMP manufacturing and successfully completed the first product engineering run under GMP conditions. DP4 is the first robotic aseptic isolator filling line for biologics in China and the second GMP released sterile filling DP facility of the Group. With its key advantages of vacuum stoppering and nitrogen protection, process flexibility, container flexibility and aseptic assurance, DP4 is capable of manufacturing both pre-filled syringe (PFS) and vial products for early stage clinical supplies with the scale-out strategy.

Shanghai Site

The Group's Shanghai site houses the drug discovery and pre-clinical development facilities and part of the Group's cGMP clinical manufacturing facilities. Services provided include novel mAb discovery, bispecific antibody engineering, ADC discovery and development, cell line engineering and development, assay, formulation and process development, assay and process validation, process and product analytical characterization, and cGMP cell banking, manufacturing and release of clinical supplies.

During the Reporting Period, the R&D team at the Shanghai site endeavored to innovate and improve various technology platforms. The Group's proprietary cell line development platform, WuXia, is one of the world's highly utilized cell line development platforms and has provided more than 259 cell lines for pre-clinical development and beyond. With the proprietary expression vector system, top 3 clones with high titers can be obtained and utilized for process development and cGMP manufacturing. Combined with cGMP cell banking and cell line characterization services, the WuXia platform is ideal for the production of a variety of therapeutic proteins including monoclonal antibodies, bispecific antibodies, fusion proteins and recombinant proteins. WuXiUP, the Group's proprietary biologics continuous manufacturing platform with ultra-high productivity, accelerates biologics development and manufacturing as well as improves affordability of biologics. The intensified and continuous cell culture process can be rapidly developed or converted from traditional fed-batch process while maintaining excellent scalability and robustness. Coupled with continuous product capture column chromatography, the WuXiUP platform enables continuous direct product capture with a similar or better purification yield to traditional purification process for almost any biologics. During the Reporting Period, this continuous direct product capture platform was established and successfully scaled up in the Shanghai site for production of clinical supplies with consistent process performance and product quality profiles. WuXiUP has been implemented in more than 15 projects for production of mAbs, bispecific antibodies and fusion proteins at ultra-high productivity. Boosted by these state-of-the-art technology platforms, the Group enables its partners in the fast-growing biologics field. Additionally, more than 20 ADCs have been or are being developed at the Group and 11 ADCs projects have been successfully advanced by the Group to IND filing stage.

With the 7,000L capacity of the Group's Manufacturing 3 ("**MFG3**"), the Shanghai site now offers complete one-stop biologics development and manufacturing service in one central location thus streamlining clinical CMC (Chemistry, Manufacturing and Control) activities even further to enable the Group's customers to reach their clinical manufacturing goals within the shortest time possible.

The Group's global innovation center in the Fengxian district of Shanghai has made fast progress in its initial construction phase during the Reporting Period. Once put into operation, this new state-of-the-art biologics center with 150,000 square meters area for biologics discovery, development, clinical and commercial manufacturing facilities will be one of the largest facilities of its kind globally.

Suzhou Site

The Suzhou site houses the biosafety testing facilities, providing services such as viral clearance, cell bank testing and cell line characterization studies. The Suzhou site has built state-of-the-art biosafety testing facilities that can support all biosafety testing requirements for biologics manufacturing. The quality system and testing capability of Suzhou site stepped up further by obtaining certifications from both China Metrology Accreditation ("**CMA**") and China National Accreditation Service for Conformity Assessment ("**CNAS**"), which validated the Group's high level of quality commitment to its global customers.

During the Reporting Period, the Suzhou site continued to improve its operational efficiency, which significantly shortened the turnaround times for all the biosafety tests and viral clearance validation studies. Various awards were received at the Suzhou site from its key customers during the Reporting Period, thus rewarding the team for its accomplishments. The Suzhou site also signed several strategic cooperation agreements with a number of key customers for late-phase and commercial projects, including those for commercial product bulk release and Biologics License Application (BLA) viral clearance services. These agreements strengthened the long term relationships between the Group's partners and the Suzhou site. With the further growth of business, the Suzhou site is actively building new laboratories to enlarge the current capacity as well as increasing its investment in R&D for providing more diversified services in the future.

Research and Development

During the Reporting Period, the Group's R&D team continuously focused on (i) enhancing innovative biologics generation capabilities and optimizing several existing technological platforms including traditional hybridoma technology, premium humanization and antibody optimization platforms, phage display technology, fully human antibodies, bispecifics, nanobodies and antibody fragments to expedite the discovery of novel therapeutic biologics; (ii) supporting the Group's global partners in using the proprietary bispecific antibody platform WuXiBody™, so as to enable them to considerably accelerate the development process of new bispecific biologics; (iii) enhancing the Group's in vitro and particularly in vivo biology capabilities and capacity to enable screen, identification and characterization of desired biologics as drug development candidates; (iv) continuously identifying and prioritizing new areas of biologic innovation and developing proprietary technologies to enable the Group's customers to discover and develop differentiated novel biologic drugs; and (v) refining system and team building for more efficient business operation and optimized cost control to ensure the provision of quality and efficient technical solutions to customers. Through R&D activities, the Group developed various proprietary technologies, which enable it to receive milestone and royalty fees from customers utilizing such technologies.

As the Group's proprietary bispecific antibody technology platform, WuXiBody™ has been more adopted in the industry. The Group's scientists have also been invited to present WuXiBody™ at various world renown antibody conferences including but not limited to PEGS (Protein Engineering Summit) and the Antibody Engineering and Therapeutics Conference. During the Reporting Period, the Group has signed eight WuXiBody™ licensing agreements with five partners. Relevant businesses based on WuXiBody™ have delivered strong growth for the results of the Group.

For the six months ended June 30, 2019, the R&D expenditure was RMB109.1 million, which accounted for 6.8% of the revenue. The R&D team of the Company has approximately 250 scientists, many of whom have multiple years of biologics drug discovery experiences at multinational pharmaceutical companies.

The Group strives to advance and innovate its technologies to optimize the entire spectrum of services offered to the global biologics industry and to provide the best new biologics R&D solutions to our customers and thereby ultimately benefiting patients worldwide.

Sales and Marketing

The Group takes a multichannel approach in achieving its marketing goals. The objectives of the marketing plan are to build awareness of the Group's brand and its open-access technology platforms and to communicate to the market the key technical, operational and business strategies of the Group. Marketing efforts strive to influence existing and potential clients to develop positive two-way communication with the Group in addition to furthering its overall business growth objectives.

The multichannel marketing approach involves both technical and sales presence at various global industry trade conferences. Through the first half of 2019, the Group invited C-level and other senior management in the industry to meet in January during the week of the JP Morgan Healthcare Conference in San Francisco and then again six months later at the annual "BIO" conference in Philadelphia. Both of these conferences brought together over 16,000 executives and other key industry leaders from biopharma/pharma companies worldwide and allowed the Group's business development and senior management staff to discuss with existing key accounts and potential clients how the Group can help them in their critical biologics development efforts. The Group also attended events held in more regional venues like BioEurope, BioKorea and CPhI Japan to further discuss with senior level executives on the advantages and competitiveness of the Group's one-stop biologics development platform. The Group also attended or presented its various platform technologies at technology-centric conferences dedicated to biologics discovery, development and manufacturing. Multiple presentations on the Group's disruptive WuXiBody™ bispecific antibody platform were presented at events like the PEGS (Protein Engineering Summit) Conference in Boston, Next Generation Protein Therapeutics Summit in San Francisco and Antibody Engineering and Therapeutics Conference in Amsterdam.

During the Reporting Period, the Group used various marketing and promotional strategies that include company press releases, advertisements and social media to promote its exciting WuXiBody™ bispecific platform, WuXia cell line development platform and WuXiUP continuous manufacturing platform. Through the global multichannel marketing approach to highlight its differentiated competitive strengths, the Group once again established itself as a premier supplier and partner in the biologics industry.

Quality Assurance

The Quality Department, which includes quality assurance, quality control, regulatory affairs and training center functions, is committed to the highest standard of regulatory compliance while providing high quality services and products that meet customer's needs.

The Quality Department is responsible for implementing the Group's global quality system and supervising the quality operations to ensure GMP compliance within the Group's manufacturing environment. Subsequent to the 2018 U.S. FDA approval of the Group's DS and DP manufacturing facilities in the Wuxi site MFG1, these facilities together with the cell banking facility in the Shanghai site have further received GMP certificates from the EU EMA in March 2019 following the pre-approval inspections conducted in January 2019. The U.S. FDA and the EU EMA approvals distinguished the Group as the first and only biologics manufacturing company in China approved by both regulatory agencies. This also fully evidenced that DS and DP operations, as well as the cell banking facility of the Group are in compliance with the applicable regulations and that the Quality Department has established a global quality system in line with international standards.

In April 2019, the DS and DP manufacturing facilities in the Wuxi site MFG1 successfully completed the U.S. FDA's routine post-approval GMP inspection. The outcome of this inspection again reinforces that the quality system at the Group strictly adheres to the U.S. FDA GMP regulations.

In addition, with solid support and comprehensive oversight of the Quality Department, the biosafety testing facility in the Suzhou site has successfully obtained CMA and CNAS accreditation.

Capacity Expansion Plan

During the Reporting Period, the Group continued its investments into the capacity expansion plan to keep pace with growing global demand for biologics manufacturing. The capacity expansion also will help the Group to provide manufacturing capacity for the increasing number of late-phase projects and maintain alignment with the Group's long-term globalization paradigm of "Global Dual Sourcing within WuXi Bio". The total planned capacity of the Group's capacity expansion plan across the world has reached 280,000 liters as of June 30, 2019.

Facility	Designed Capacity	Location	Comments
MFG4	10,000L fed-batch/CFB	Wuxi	Clinical/Commercial
MFG5	60,000L fed-batch	Wuxi	Commercial
MFG6	6,000L perfusion	Ireland	Commercial
MFG7	48,000L fed-batch	Ireland	Commercial
MFG8	48,000L fed-batch	Shijiazhuang	Commercial
MFG9	6,000L fed-batch/CFB	Wuxi	Clinical/Commercial
MFG10	4,500L fed-batch/perfusion	Singapore	Clinical/Commercial
MFG11	4,500L fed-batch/perfusion	Worcester, US	Clinical/Commercial
MFG12	48,000L fed-batch	Chengdu	Commercial

In May 2019, the Group launched the construction of a new 120,000 square meters integrated manufacturing center for innovative biologics (Manufacturing 12, "**MFG12**") in Chengdu, one of the largest cities in Southwest China. This new integrated manufacturing center will include biologics development and commercial manufacturing facilities with initial bioreactor capacity of 48,000L.

The Ireland site, which will be the Group's first overseas site, has been progressing well in its construction during the Reporting Period. As at June 2019, the site has commenced steel framework construction. Once completed, the facility will become one of the world's largest facilities using single-use bioreactors with a next generation continuous manufacturing process technology.

These new sites will enable the Group to continue to implement the "Follow-the-Molecule" and "Globalization" strategies, as well as the "Global Dual Sourcing within WuXi Bio" paradigm and maintain the fast-track growth compared to its global peers. Accordingly, the Group will be able to establish comprehensive capabilities and capacity to realize the full biologics development and manufacturing service chain. The capacity expansion plan will be reviewed regularly to align with future customer needs and market conditions.

Future and Outlook

The global biologics industry keeps growing and shows no signs of abating. In 2019, biologics is forecast to represent 27 percent of the global drug market, and by 2024, 31 percent. The U.S. FDA also set an all-time records of new drug approvals with approximately 17 new biologics molecular entities approved in 2018. The number of annual approvals is very likely to increase based on industry clinical trial and drug pipeline data. Driven by the rapid pace of innovation with legions of biologics in the drug pipeline, increasing investment, advantageous regulatory environment and increasing demand across the world, the biologics market is expected to continue its meteoric rise in the coming years. Such industry-related indicators and trends are laying a solid foundation for increased demand for biologics outsourcing.

Biologics is the fastest-growing sector of the pharmaceutical industry as eight biologics appeared in the top ten selling drugs as of the end of 2018. On the other hand, backed with intense investments and R&D activities, the competition in biologics industry becomes more and more fierce. Outsourcing is being viewed increasingly as a desired option by both large pharmaceutical companies and small and medium-sized biotechnology companies to maintain competitiveness and bridge the gap between performance and opportunity.

Along with the biologics market growth, extremely high costs, extensive expertise and experience are needed for the growing trend of complex specialized biologics and immunotherapies for smaller populations, as well as for rare diseases. More and more biologics companies are choosing to outsource to one full-service CDMO from proof-of-concept to commercialization rather than several niche providers, as this not only simplifies the supply chain and can reduce time to market but also takes advantage of CDMOs' advanced technologies and expertise. The Group has been a pioneer in providing comprehensive one-stop shop service from concept to commercialization, expediting global biologics development. The CDMO industry is now following suit. A shift to a more cost-effective, efficient and professional integrated outsourcing paradigm is more attractive to biopharma.

China is now one of the most exciting place for biologics innovation. Under the influence of policy reform, economic and external environmental changes, the Chinese biologics industry has entered into a new era of adjustment and adaptation, with innovation being highlighted as the main theme and long-term trend. China has promulgated a series of policies and regulations to expedite the review and approval process for innovative biologics. In addition, the new Vaccine Administration Law, which will take into effect on December 1, 2019, officially recognized vaccine CMO (Contract manufacturing organization) model. Supported by favorable policies, together with the returnees of biologics scientists and new financing channels established in both Hong Kong and Shanghai stock markets, China is growing as an indispensable role in global biologics research and development. It is very likely that China biologics can make transition from being fast followers to true innovators in the near future. The biologics outsourcing industry, which has developed along with innovative drug development, is also experiencing a long-term upward trend.

Riding on the thriving global and China biologics outsourcing market, the Group will continue to maintain its strong growth in the coming years. The Group offers end-to-end solutions empowering anyone and any company to discover, develop and manufacture biologics from concept to commercial manufacturing in a cost-effective and time-sensitive manner. With constant investments in its capabilities and capacity, the Group will capture more development opportunities in the biologics industry and boost its milestones and royalty revenue streams by attracting more potential customers and introducing more biologics into the combination of the "Follow-the-Molecule" strategy and "Global Dual Sourcing within WuXi Bio" paradigm.

2019 will be a year full of opportunities. We will continue to enhance our capabilities and capacity, build our technology platforms, and enable our partners. We believe in our efforts and dedication 100% and we envisage that grand future — where "every drug can be made and every disease can be treated". We will see it, and hopefully, sooner than we expect!

FINANCIAL REVIEW

Revenue

The revenue of the Group increased by 52.4% from approximately RMB1,054.4 million for the six months ended June 30, 2018 to approximately RMB1,607.1 million for the six months ended June 30, 2019. The increase was mainly attributed to (i) leading technology platforms, competitive timeline and strong execution track record contributing to more market share and new integrated projects being added to our pipeline; (ii) the Group's innovative proprietary technology platforms, including but not limited to the bispecific antibody technology platform WuXiBody™, have been more adopted in the industry; and (iii) strong growth in revenue, as a result of the success of the Group's "Follow-the-Molecule" strategy.

The revenue of the Group has maintained a strong growth during the Reporting Period. The Group derived a vast majority of its revenue from providing services to customers headquartered in North America and the PRC. The table below shows the revenue distribution by countries/regions:

	Six months ended June 30,			
	2019		2018	
Revenue	***RMB million***	***%***	*RMB million*	*%*
— North America	**846.7**	**52.7%**	596.4	56.6%
— PRC	**569.2**	**35.4%**	370.4	35.1%
— Europe	**112.3**	**7.0%**	52.9	5.0%
— Rest of the world *(Note)*	**78.9**	**4.9%**	34.7	3.3%
Total	**1,607.1**	**100.0%**	1,054.4	100.0%

Note: Rest of the world primarily includes Singapore, Japan, South Korea and Australia.

For the six months ended June 30, 2019, the pre-IND services revenue of the Group increased by 24.2% to approximately RMB815.2 million, accounting for 50.7% of the total revenue. On the other hand, the post-IND services revenue of the Group showed a rapid increase of 98.9% to approximately RMB791.9 million, accounting for 49.3% of the total revenue, as a result of more projects progressing from pre-IND to subsequent stages such as early-phase and late-phase stages by implementing the "Follow-the-Molecule" strategy.

The following table sets forth a breakdown of the Group's revenue by pre-IND services and post-IND services for the periods indicated:

	Six months ended June 30,			
	2019		2018	
	RMB million	***%***	*RMB million*	*%*
Pre-IND services	**815.2**	**50.7%**	656.3	62.2%
Post-IND services	**791.9**	**49.3%**	398.1	37.8%
Total	**1,607.1**	**100.0%**	1,054.4	100.0%

Cost of Services

The cost of services of the Group increased by 46.3% from approximately RMB639.7 million for the six months ended June 30, 2018 to approximately RMB936.1 million for the six months ended June 30, 2019. The increase of the cost of services was in line with the business growth.

The cost of services of the Group consists of direct labor costs, cost of raw materials and overhead. Direct labor costs primarily consist of salaries, bonuses, social security costs and share-based compensation for the employees in the Group's business units. Cost of raw materials primarily consists of costs incurred for the purchase of raw materials used in rendering the Group's services, such as reagents and chromatograph columns. Overhead primarily consists of depreciation charges of the facilities and equipment used in rendering the Group's services, outsourced testing service fees for the biologics testing work, utilities and maintenance.

Gross Profit and Gross Profit Margin

The gross profit of the Group increased by 61.8% from approximately RMB414.7 million for the six months ended June 30, 2018 to approximately RMB671.0 million for the six months ended June 30, 2019. The Group's gross profit margin increased from 39.3% for the six months ended June 30, 2018 to 41.8% for the six months ended June 30, 2019. The increase in the gross profit margin was primarily attributed to (i) the Group's strong business growth, along with the rapid increase in its number of integrated projects; (ii) significant improvement on capacity utilization of MFG3 which commenced production from the second half year of 2018; and (iii) more milestone revenue with relatively high gross margin was received for the six months ended June 30, 2019.

Other Income

The other income of the Group increased by 169.6% from approximately RMB40.8 million for the six months ended June 30, 2018 to approximately RMB110.0 million for the six months ended June 30, 2019, primarily due to the increase in government grants.

Other Gains and Losses

The net other gains of the Group increased by 144.7% from approximately RMB12.3 million for the six months ended June 30, 2018 to approximately RMB30.1 million for the six months ended June 30, 2019, primarily due to (i) the appreciation of U.S. dollar from the second half year of 2018, leading to more foreign exchange gain was recognized for the six months ended June 30, 2019, as compared with the same period of 2018; (ii) the Group acknowledged receipt of termination notice to an option to purchase certain of its biologics manufacturing facilities from an independent third party, and accordingly US$2.0 million (equivalent to approximately RMB13.8 million) was recognized as a gain on non-refundable purchase option fee.

Impairment Losses, Net of Reversal

Impairment losses, net of reversal of the Group, decreased by 51.0% from approximately RMB19.6 million for the six months ended June 30, 2018 to approximately RMB9.6 million for the six months ended June 30, 2019. Impairment losses, net of reversal, represent loss allowances on the Group's financial assets (including trade and other receivables and contract assets) under Expected Credit Loss ("**ECL**") model. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings, based on the consideration of the credit risk for each grouping. Management of the Group considers that the impairment losses under ECL model have been of a more conservative view in credit risk control. Management has been continuously managing the credit risk through periodic review and monitoring on the doubtful debts.

Selling and Marketing Expenses

The selling and marketing expenses of the Group increased by 32.2% from approximately RMB19.9 million for the six months ended June 30, 2018 to approximately RMB26.3 million for the six months ended June 30, 2019, which demonstrated our continuous efforts in the capability enhancement in business development to capture more opportunities in the growing market. The proportion of the selling and marketing expenses to the Group's total revenue was 1.6% for the six months ended June 30, 2019, representing a slight decrease from 1.9% for the six months ended June 30, 2018.

Administrative Expenses

The Group's administrative expenses increased by 71.9% from approximately RMB87.1 million for the six months ended June 30, 2018 to approximately RMB149.7 million for the six months ended June 30, 2019, primarily due to (i) workforce expansion to facilitate the smooth operation and support the Group's rapid growing business and its long term development; and (ii) an increase in depreciation, office administration cost, etc., which are in line with the Group's business and headcount growth.

Research and Development Expenses

The research and development expenses of the Group increased by 94.1% from approximately RMB56.2 million for the six months ended June 30, 2018 to approximately RMB109.1 million for the six months ended June 30, 2019, as a result of our enhanced investment in innovation and technologies to enhance the Group's core competitiveness in the evolving industry.

Finance Cost

Upon application of IFRS 16 Lease, lease payments in relation to the interest portion is presented in the finance cost, started January 1, 2019. For the six months ended June 30, 2019, the interest expense on lease liabilities amounted to approximately RMB4.6 million (for the six months ended June 30, 2018: nil).

Income Tax Expense

The income tax expense of the Group increased by 76.3% from approximately RMB35.5 million for the six months ended June 30, 2018 to approximately RMB62.6 million for the six months ended June 30, 2019, as a result of the Group's business growth. The effective income tax rate has been stable (12.2% for the six months ended June 30, 2019, as compared to 12.5% for the six months ended June 30, 2018).

Net Profit and Net Profit Margin

As a result of the foregoings, the net profit of the Group increased by 80.1% from approximately RMB249.6 million for the six months ended June 30, 2018 to approximately RMB449.5 million for the six months ended June 30, 2019. The net profit margin of the Group for the six months ended June 30, 2019 was 28.0%, as compared to 23.7% for the six months ended June 30, 2018. The significant increase in the net profit margin was primarily due to (i) the Group's steady increase in the number of integrated projects and as a result, strong growth in revenue; (ii) solid cost control and business operation efficiency enhancement; and (iii) other non-operating income recorded; partially offset by (iv) increase of administrative expenses and research and development expenses in line with the Group's business growth.

The adjusted net profit[1] of the Group increased by 75.8% from approximately RMB296.7 million for the six months ended June 30, 2018 to approximately RMB521.5 million for the six months ended June 30, 2019. The adjusted net profit margin of the Group for the six months ended June 30, 2019 was 32.4%, compared to 28.1% for the six months ended June 30, 2018. The expansion of adjusted net profit margin follows the same set of reasons as in the above discussion.

EBITDA

The EBITDA[2] of the Group increased by 77.2% from approximately RMB381.1 million for the six months ended June 30, 2018 to approximately RMB675.4 million for the six months ended June 30, 2019. The EBITDA margin of the Group for the six months ended June 30, 2019 was 42.0%, compared to 36.1% for the six months ended June 30, 2018. The higher EBITDA margin of the Group for the six months ended June 30, 2019 was primarily due to a higher net profit margin as discussed above.

The adjusted EBITDA[3] of the Group increased by 74.5% from approximately RMB428.3 million for the six months ended June 30, 2018 to approximately RMB747.4 million for the six months ended June 30, 2019. The adjusted EBITDA margin of the Group for the six months ended June 30, 2019 was 46.5%, compared to 40.6% for the six months ended June 30, 2018. The expansion of adjusted EBITDA margin follows the same set of reasons as discussed above.

Basic and Diluted Earnings Per Share

The basic earnings per share of the Group increased by 76.2% from RMB0.21 for the six months ended June 30, 2018 to RMB0.37 for the six months ended June 30, 2019. The diluted earnings per share of the Group increased by 78.9% from RMB0.19 for the six months ended June 30, 2018 to RMB0.34 for the six months ended June 30, 2019. The increase in the basic and diluted earnings per share was primarily due to the increase in the net profit resulted from the strong business growth of the Group.

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1 The adjusted net profit is calculated as net profit for the Reporting Period, excluding share-based compensations and foreign exchange gains or losses to better reflect the Company's current business and operations.

2 EBITDA represents net profit before (i) interest expense, income tax expenses; and (ii) amortization and depreciation.

3 The adjusted EBITDA is calculated as EBITDA for the Reporting Period, excluding (i) interest expense, income tax expenses; (ii) certain non-cash expenses, consisting of share-based compensations, amortization and depreciation; and (iii) foreign exchange gains or losses to better reflect the Company's current business and operations.

The adjusted basic earnings per share for the six months ended June 30, 2019 amounted to RMB0.42, representing an increase of 68.0% as compared with that of RMB0.25 for the six months ended June 30, 2018. The adjusted diluted earnings per share of the Group for the six months ended June 30, 2019 amounted to RMB0.39, representing an increase of 69.6% as compared with that of RMB0.23 for the six months ended June 30, 2018. The increase in the adjusted basic and diluted earnings per share was primarily due to the increase in the adjusted net profit as discussed above.

Plant and Equipment

The plant and equipment balance of the Group increased by 24.5% from approximately RMB2,903.9 million as at December 31, 2018 to approximately RMB3,615.8 million as at June 30, 2019. During the six months ended June 30, 2019, the Group acquired approximately RMB847.5 million (during the six months ended June 30, 2018: approximately RMB480.1 million) of plant and equipment for the continuous investment in its capacity expansion of research, development and manufacturing.

Right-of-Use Assets/Prepaid Lease Payments

As a result of the application of IFRS 16 Lease, distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees, except for short-term leases and leases of low value assets. The right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Upfront payments for leasehold lands were classified as prepaid lease payments as at December 31, 2018. Upon application of IFRS 16, the current and non-current portion of prepaid lease payments amounting to approximately RMB2.9 million and RMB168.6 million respectively were reclassified to right-of-use assets.

Intangible Assets

The intangible assets of the Group mainly include a license to use certain animals for the purpose of researching, developing and making antibodies. No new acquisition or addition of the intangible assets was recorded during the Reporting Period (during the six months ended June 30, 2018: US$51.0 million (equivalent to approximately RMB333.3 million)).

Investment in an Associate/Share of Profit of an Associate

On April 28, 2019, the Group subscribed 9.32% of the equity interest of Shanghai Duoning Biotechnology Co., Ltd. ("**Duoning**"), a PRC corporation, with a cash consideration of US$5.0 million (equivalent to approximately RMB33.8 million). Duoning focuses on the sales of serum-free media and disposable products, formulation production and services.

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not constitute control or joint control over those decisions. The results and assets and liabilities of associates are incorporated into the Group's consolidated financial statements using the equity method of accounting.

Equity Instruments at Fair Value Through Other Comprehensive Income ("FVTOCI")

Equity instruments at FVTOCI include 19.9% of the equity interests of Tysana Pte. Ltd. ("**Tysana**") and Privus Biologics, LLC ("**Privus**") respectively, which were subscribed by the Group in 2018.

During the Reporting Period, the Group managed and evaluated the unlisted investments performance of ordinary shares purchased on a fair value basis in accordance with the Group's investment strategy. As at June 30, 2019, the directors of the Company are of the opinion that there was no significant fair value change occurred in these FVTOCI investments.

Financial Assets at Fair Value Through Profit or Loss ("FVTPL")

In May 2018 and January 2019, the Group entered into agreements to purchase 429,799 and 1,719,197 Series Mezzanine 2 Preferred Shares of Inhibrx, Inc. ("**Inhibrx**") for cash consideration of US$3.0 million (equivalent to approximately RMB20.6 million as at June 30, 2019) and US$12.0 million (equivalent to approximately RMB82.5 million as at June 30, 2019) respectively. Inhibrx is a Delaware corporation and focuses on the business of delivering optimized, biologic therapeutics to people with life-threatening conditions and building a large and diverse pipeline with the potential to impact cancer, infectious disease and orphan diseases.

In September 2018 and January 2019, the Group entered into agreements to purchase 481,454 Series C-1 and 481,454 Series C-3 Preferred Shares of Canbridge Pharmaceuticals Inc. ("**Canbridge**") for a cash consideration of US$5.0 million (equivalent to approximately RMB34.4 million as at June 30, 2019) and US$5.0 million (equivalent to approximately RMB34.4 million as at June 30, 2019) respectively. Canbridge is an exempted company incorporated with limited liability under the laws of Cayman Islands and focuses on the business of developing, selling, or marketing the pharmaceuticals for treatment or prevention of oncology or rare disease indications.

In March 2019, the Group entered into an agreement to purchase 2,856,055 Series A Preferred Shares of Virtuoso Therapeutics, Inc. ("**Virtuoso**") for a cash consideration of approximately US$1.9 million (equivalent to approximately RMB12.9 million as at June 30, 2019). Virtuoso is an exempted company duly incorporated and validly existing under the laws of Cayman Islands and focuses on the business of researching and developing antibodies and the therapeutics on oncology.

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

During the Reporting Period, the Group managed and evaluated the unlisted investment performance of preferred shares purchased on a fair value basis in accordance with the Group's investment strategy.

Inventories

The inventories of the Group increased by 40.4% from approximately RMB227.2 million as at December 31, 2018 to approximately RMB318.9 million as at June 30, 2019, primarily as a result of the Group's business growth. Along with the Group's increased number of on-going integrated projects, the Group is required to reserve a higher inventory level for safe service provision.

Contract Costs

The contract costs of the Group increased by 29.2% from approximately RMB294.6 million as at December 31, 2018 to approximately RMB380.7 million as at June 30, 2019, primarily as a result of the Group's business growth. By implementing the "Follow-the-Molecule" strategy, the Group has achieved more projects progressing from pre-IND stage into next stages such as early-phase (phase I and II) and late-phase (phase III), which have carried higher records of contract costs.

Trade and Other Receivables

The trade and other receivables of the Group increased by 15.9% from approximately RMB1,067.2 million as at December 31, 2018 to approximately RMB1,237.1 million as at June 30, 2019, primarily due to the increases in trade receivables and value added tax recoverable, as a result of the Group's business growth.

Contract Assets

The contract assets of the Group decreased by 63.3% from approximately RMB36.0 million as at December 31, 2018 to approximately RMB13.2 million as at June 30, 2019, primarily due to that more projects have achieved the milestones as stipulated in the contract and the related contract assets have been reclassified to trade receivables during the Reporting Period.

Trade and Other Payables

The trade and other payables of the Group increased by 11.4% from approximately RMB711.8 million as at December 31, 2018 to approximately RMB792.6 million as at June 30, 2019, primarily due to (i) an increase in trade payables along with the Group's business growth; and (ii) an increase in payable for purchase of plant and equipment along with the Group's continuous investment in its laboratory and manufacturing capacities; partially offset by (iii) a decrease in salary and bonus payables since the annual bonus accrued by the end of 2018 was settled in the early 2019.

Contract Liabilities

The contract liabilities of the Group decreased by 16.7% from approximately RMB499.7 million as at December 31, 2018 to approximately RMB416.2 million as at June 30, 2019, primarily due to more projects have been carried forward along with the contracts during the Reporting Period.

Lease Liabilities (Current Portion & Non-current Portion)

As a result of the application of IFRS 16 Lease, the lease liability is initially measured at the present value of lease payments that are unpaid at that date. After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

Liquidity and Capital Resources

The Group's bank balances and cash and time deposits amounted to approximately RMB3,029.5 million in total as at June 30, 2019, as compared to approximately RMB4,084.4 million in total as at December 31, 2018. The decrease was mainly due to the funding of working capital and other capital requirements. The cash and cash equivalents held by the Group are composed of RMB and U.S. dollar. Currently, the Group follows a set of funding and treasury policies to manage its capital resources and prevent risks involved.

Significant Investments, Material Acquisitions and Disposals

On April 28, 2019, the Group subscribed 9.32% of the equity interest of Duoning, with a cash consideration of US$5.0 million (equivalent to approximately RMB33.8 million). Duoning focuses on the sales of serum-free media and disposable products, formulation production and services.

On June 13, 2019, the Group entered into agreements to subscribe 50.1% of the equity interests of Pinghu Youpu Biotechnology Co., Ltd. ("**Youpu**") and Bogelong (Shanghai) Biotechnology Co., Ltd. ("**Bogelong**"), two affiliated companies registered under the laws of the PRC, with a cash consideration of approximately RMB300.6 million. Youpu and Bogelong primarily engage in production and sale of biological separation medium and related equipment. Pursuant to the agreements, these two companies will become non-wholly owned subsidiaries of the Company. At the date of issuance of the interim results announcement, the acquisition has not yet been completed.

Indebtedness

Borrowings

There was no bank borrowing drawn by the Group as at June 30, 2019 and December 31, 2018.

Contingent Liabilities and Guarantees

As at June 30, 2019, the Group did not have any material contingent liabilities or guarantees.

Currency Risk

The Group principally operates in the PRC with a major portion of the procurements being settled in Renminbi, which is the functional currency of the Group's most entities. The Group also has certain subsidiaries in foreign operations. Foreign exchange risk arises from the recognized revenue and expenses, assets and liabilities and net investments in foreign operations. The Group's entities are exposed to foreign exchange risk of foreign currencies other than their functional currencies, primarily with respect to the U.S. dollars.

During the Reporting Period, a majority of the Group's revenue was generated from sales denominated in U.S. dollar, while most of the cost of services and operation costs and expenses of the Group were settled in Renminbi. As a result, the Group's margins are pressured when the Renminbi appreciates against the U.S. dollar. The monetary assets and liabilities denominated in U.S. dollar are exposed to foreign exchange risk through revaluation at the end of each Reporting Period, when the value of Renminbi fluctuates against the U.S. dollar.

The Group seeks to limit its exposure to foreign currency risk by closely monitoring and minimizing its net foreign currency position. Since January 2018, the Group has engaged into a series of forward contracts to manage the Group's currency risk. The hedge accounting is also adopted by the Group for derivatives to mitigate the impact on revenue due to the fluctuation in foreign currency.

Charges of Assets

As at June 30, 2019, the Group pledged bank deposits with an amount of approximately RMB440.9 million in total, which increased by 1,649.6% from approximately RMB25.2 million as at December 31, 2018, primarily due to more deposits have been pledged to banks as collaterals for the issue of standby letters of credit in connection with the Group's imported raw materials, plant and equipment, along with the Group's business growth.

Gearing Ratio

Gearing ratio is calculated using interest-bearing borrowings less cash and cash equivalents, divided by total equity and multiplied by 100%. Both as at June 30, 2019 and December 31, 2018, the Group had no borrowing and thus, gearing ratio is not applicable.

Employees and Remuneration Policies

As at June 30, 2019, the Group had a total of 4,512 employees, of whom 2,059 were located in Shanghai, 2,193 were located in Wuxi, Jiangsu Province, 196 were located in Suzhou, Jiangsu Province, 7 were located in Shijiazhuang, Hebei Province and 57 were located overseas. The staff costs, including Directors' emoluments but excluding any contributions to retirement benefit scheme contributions and share-based payment expenses, were approximately RMB462.2 million for the six months ended June 30, 2019, as compared to approximately RMB266.7 million for the six months ended June 30, 2018. The remuneration package of employees generally includes salary and bonus elements. In general, the Group determines the remuneration package based on the qualifications, position and performance of its employees. The Group also makes contributions to social insurance fund, including basic pension insurance, medical insurance, unemployment insurance, childbirth insurance, work-related injury insurance funds, and housing reserve fund as applicable to the countries where the Group operates.

The Group has adopted the Pre-IPO Share Option Scheme and the Restricted Share Award Scheme to provide incentive or reward to eligible participants for their contribution or potential contribution to the Group.

In addition, the Group has an effective training system for its employees, including orientation and continuous on-the-job training, to accelerate the learning progress and improve the knowledge and skill levels of its workforce. Its orientation process covers subjects, such as corporate culture and policies, work ethics, introduction to the biologics development process, quality management, and occupational safety, and its periodic on-the-job training covers streamlined technical know-hows of its integrated services, environmental, health and safety management systems and mandatory training required by the applicable laws and regulations.

Interim Dividend

The Board resolved not to declare any interim dividend for the six months ended June 30, 2019.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. The Company has complied with all the code provisions as set out in the CG Code throughout the six months ended June 30, 2019. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Written Guidelines on no less exacting terms than the Model Code as its own code of conduct regarding securities transactions by the Directors. On February 22, 2019, the Company received a letter from Mr. William Robert Keller ("**Mr. Keller**"), an independent non-executive Director that on February 1, 2019, Mr. Keller purchased 5,500 Shares at the price of HK$69.45 per Share, although Mr. Keller, as the Director, was prohibited from dealing with the securities of the Company during the black-out period (being the period from January 17, 2019 up to March 18, 2019). Mr. Keller explained to the Company that such mistake was made out of an inadvertent oversight. Upon realizing the mistake himself, Mr. Keller immediately sold 5,500 Shares at the price of HK$73.80 per Share on March 1, 2019. Mr. Keller has donated the gain of approximately HK$23,925 made as a result of the transactions to Hong Kong Red Cross on the same date. It is confirmed that there was no inside information provided to Mr. Keller and he did not possess any inside information at the time of both purchase and selling down. Mr. Keller voluntarily reported to the Company for his breach of Rules A.3 and B.8 of the Model Code in relation to this incident. In view of this incident and in order to ensure strict compliance of the Listing Rules and enhance corporate governance measures, the Company will remind all Directors as to their respective obligations under the Listing Rules in all aspects, including but not limited to the restrictions in dealing with Company's securities. In addition, refresher course as to the Listing Rules and corporate governance will be provided to Mr. Keller as appropriate. Save as disclosed above, having made specific enquiry of all Directors, all of them have confirmed that they have complied with the Model Code and the Written Guidelines throughout the Reporting Period. No incident of non-compliance of the Guidelines for Securities Transactions by Employees (員工證券交易管理辦法) by the employees who are likely to be in possession of inside information of the Company was noted by the Company.

USE OF PROCEEDS FROM LISTING

The total proceeds from the issue of new Shares by the Company in its Listing (after deducting the underwriting fees and related expenses) amounted to approximately RMB3,437.8 million[(1)], and the balance of unutilized net proceeds of approximately RMB330.6 million was kept at the bank accounts of the Group as at June 30, 2019.

The net proceeds from the Listing (adjusted on a pro rata basis based on the actual net proceeds) have been and will be utilized in accordance with the purposes set out in the Prospectus. The below table sets out the planned applications of the net proceeds and actual usage up to June 30, 2019:

Use of proceeds	**Planned applications** *(RMB million)*	**Percentage of total net proceeds**	**Actual usage up to June 30, 2019** *(RMB million)*	**Unutilized net proceeds as at June 30, 2019** *(RMB million)*
To repay all of the Group's outstanding bank facilities	1,238.6	37%	1,238.6	—
To construct new facilities and existing facility improvement and maintenance	1,739.7	52%	1,590.0	149.7
For the Group's working capital and other general corporate purposes	275.9	8%	95.0	180.9
To improve and maintain the Group's existing facilities	113.7	3%	113.7	—
Total	3,367.9[(1)]	100%	3,037.3	330.6

Note:

(1) It included approximately RMB69.9 million which forms part of the Listing expenses payable settled after the receipt of IPO proceeds. By excluding this portion, the net proceeds planned for applications amount to approximately RMB3,367.9 million.

USE OF PROCEEDS FROM PLACING

On March 21, 2018, the Company entered into a placing agreement with Morgan Stanley & Co. International plc (the "**Placing Agent**"), pursuant to which the Placing Agent agreed to place 57,000,000 shares (or, failing which, to purchase itself as principal) on a fully underwritten basis to not less than six independent investors (the "**Placing**"). The Placing price was HK$70.00 per share.

The net proceeds from the Placing were approximately RMB3,186.7 million, which have been and will be used for the future expansion of the Group, including the capital requirements to increase its laboratory and manufacturing capacity, as disclosed in the announcement of the Company dated March 22, 2018. During the Reporting Period, the proceeds used to construct new facilities was approximately RMB327.2 million (for the six months ended June 30, 2018: approximately RMB93.7 million). The balance of the unutilized net proceeds as at June 30, 2019 was approximately RMB2,449.7 million.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF INTERIM RESULTS

The independent auditors of the Company, namely Deloitte Touche Tohmatsu, have carried out a review of the interim financial information in accordance with the Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The Audit Committee has jointly reviewed with the management and the independent auditors of the Company, the accounting principles and policies adopted by the Company and discussed internal control and financial reporting matters (including the review of the unaudited interim results for the six months ended June 30, 2019) of the Group. The Audit Committee and the independent auditors considered that the interim results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

KEY EVENTS AFTER THE REPORTING PERIOD

The Group has the following key events taken place subsequent to June 30, 2019:

- In July 2019, the Group's DP4 in the Wuxi site was GMP released for GMP manufacturing and further successfully completed the first product engineering run under GMP conditions. DP4 is the first robotic aseptic isolator filling line in China and the second GMP released sterile filling DP facility of the Group.

- In July 2019, the Group's MFG4 in the Wuxi site has completed its construction and further achieved GMP release. MFG4 is the fourth GMP released drug substance facility of the Group and the first facility in China to use a 4,000L-capacity bioreactor, which is the industry's largest disposable bioreactor.

PUBLICATION OF THE 2019 CONDENSED CONSOLIDATED INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the website of HKEX (www.hkexnews.hk) and the Company's website (www.wuxibiologics.com.cn). The interim report for the six months ended June 30, 2019 containing all the information in accordance with the requirements under the Listing Rules which are applicable to the Reporting Period will be despatched to the Shareholders and published on the respective websites of HKEX and the Company in due course.

INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2019

The Board is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended June 30, 2019, together with the comparative figures for the corresponding period in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2019

		Six months ended June 30,	
		2019	2018
	NOTES	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	4	**1,607,070**	1,054,385
Cost of services		**(936,059)**	(639,667)
Gross profit		**671,011**	414,718
Other income	5	**109,992**	40,815
Other gains and losses	6	**30,075**	12,349
Impairment losses, net of reversal		**(9,555)**	(19,562)
Selling and marketing expenses		**(26,345)**	(19,943)
Administrative expenses		**(149,709)**	(87,083)
Research and development expenses		**(109,120)**	(56,219)
Share of profit of an associate		**309**	—
Finance cost	7	**(4,611)**	—
Profit before tax		**512,047**	285,075
Income tax expense	9	**(62,563)**	(35,505)
Profit for the period		**449,484**	249,570
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations		**(1,240)**	(56)
Fair value gain on hedging instruments designated in cash flow hedges, net of related income tax		**294**	—
Other comprehensive expense for the period		**(946)**	(56)
Total comprehensive income for the period		**448,538**	249,514

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2019

	NOTES	Six months ended June 30, 2019 **RMB'000** **(Unaudited)**	2018 *RMB'000* (Unaudited)
Profit (loss) for the period attributable to:			
Owners of the Company		**450,042**	249,570
Non-controlling interests		**(558)**	—
		449,484	249,570
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**449,096**	249,514
Non-controlling interests		**(558)**	—
		448,538	249,514
		RMB	*RMB*
Earnings per share — Basic	11	**0.37**	0.21
— Diluted	11	**0.34**	0.19

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2019

	NOTES	**June 30, 2019** ***RMB'000*** **(Unaudited)**	December 31, 2018 *RMB'000* (Audited)
Non-current assets			
Plant and equipment		**3,615,770**	2,903,900
Right-of-use assets		**419,955**	—
Deferred tax assets		**32,312**	22,481
Intangible assets		**322,020**	331,813
Investment in an associate	12	**34,107**	—
Prepaid lease payments		**—**	168,623
Equity instruments at fair value through other comprehensive income ("**FVTOCI**")	13	**136,807**	136,578
Financial assets at fair value through profit or loss ("**FVTPL**")	16	**185,552**	55,699
Other long-term deposits		**24,330**	19,021
Pledged bank deposits	17	**431,640**	—
Derivative financial assets	20	**953**	9,847
		5,203,446	3,647,962
Current assets			
Inventories		**318,947**	227,189
Contract costs		**380,677**	294,569
Trade and other receivables	14	**1,237,078**	1,067,235
Contract assets	15	**13,169**	36,026
Prepaid lease payments		**—**	2,910
Tax recoverable		**145**	793
Pledged bank deposits	17	**9,247**	25,197
Time deposits	17	**164,993**	—
Bank balances and cash	17	**2,864,522**	4,084,395
Derivative financial assets	20	**15,944**	6,874
		5,004,722	5,745,188

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2019

	NOTES	**June 30, 2019** ***RMB'000*** **(Unaudited)**	December 31, 2018 *RMB'000* (Audited)
Current liabilities			
Trade and other payables	18	**792,624**	711,779
Contract liabilities	19	**416,185**	499,743
Income tax payable		**101,143**	88,244
Derivative financial liabilities	20	**7,115**	18,991
Lease liabilities		**31,497**	—
		1,348,564	1,318,757
Net current assets		**3,656,158**	4,426,431
Total assets less current liabilities		**8,859,604**	8,074,393
Non-current liabilities			
Deferred revenue		**102,507**	77,408
Derivative financial liabilities	20	**68**	77
Lease liabilities		**216,555**	—
Deferred tax liabilities		**—**	2,680
		319,130	80,165
Net assets		**8,540,474**	7,994,228
Capital and Reserves			
Share capital	21	**204**	202
Reserves		**8,540,355**	7,993,553
Equity attributable to owners of the Company		**8,540,559**	7,993,755
Non-controlling interests		**(85)**	473
Total equity		**8,540,474**	7,994,228

1. GENERAL INFORMATION

WuXi Biologics (Cayman) Inc. (the "**Company**") was incorporated in the Cayman Islands as an exempted company with limited liability on February 27, 2014, and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since June 13, 2017. The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as "**the Group**") are principally engaged in provision of discovery, development and manufacturing of biologics services.

As at the date of issuance of these condensed consolidated financial statements, the immediate and ultimate holding company of the Company is WuXi Biologics Holdings Limited ("**Biologics Holdings**"), a company incorporated in the British Virgin Islands, which is ultimately controlled by Dr. Ge Li ("**Dr. Li**"); Dr. Ning Zhao, the spouse of Dr. Li; Mr. Xiaozhong Liu and Mr. Zhaohui Zhang who are all acting in concert (collectively known as "**Controlling Shareholders**").

The functional currency of the Company is Renminbi ("**RMB**"), which is the same as the presentation currency of the condensed consolidated financial statements.

2. BASIS OF PREPARATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of the reporting period, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("**IFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2019 are the same as those presented in the Group's annual financial statements for the year ended December 31, 2018.

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs which are mandatory effective for the annual period beginning on or after January 1, 2019 for the preparation of the Group's condensed consolidated financial statements:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015–2017 Cycle

The Group has applied IFRS 16 retrospectively with the cumulative effect recognized at the date of initial application, January 1, 2019. Any difference at the date of initial application is recognized in the opening retained earnings and comparative information has not been restated.

On transition, the Group has made the following adjustments upon application of IFRS 16:

The Group recognized lease liabilities of RMB229,090,000 (unaudited) and right-of-use assets of RMB384,354,000 (unaudited) as at January 1, 2019.

When recognizing the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 4.86% per annum.

The following adjustments were made to the amounts recognized in the condensed consolidated statement of financial position as at January 1, 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported as at December 31, 2018 *RMB'000*	**Adjustments** *RMB'000*	**Carrying amounts under IFRS 16 as at January 1, 2019** *RMB'000*
Non-current Assets			
Prepaid lease payments	168,623	(168,623)	—
Right-of-use assets	—	384,354	384,354
Other long-term deposits	19,021	(2,392)	16,629
Plant and equipment	2,903,900	267	2,904,167
Deferred tax assets	22,481	2,746	25,227
Current Assets			
Prepaid lease payments	2,910	(2,910)	—
Contract costs	294,569	(704)	293,865
Capital and Reserves			
Reserves	7,993,553	(2,899)	7,990,654
Current Liabilities			
Trade and other payables	711,779	(13,453)	698,326
Lease liabilities	—	26,524	26,524
Non-current liabilities			
Lease liabilities	—	202,566	202,566

4. REVENUE

For the purpose of resources allocation and performance assessment, the chief operating decision maker (i.e. the chief executive officer of the Group) reviews the overall results and financial position of the Group as a whole. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is present.

Geographical information

The Group's operations are primarily located in the PRC. An analysis of the Group's revenue from external customers, analyzed by their respective country/region of operation, is detailed below:

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
— North America	**846,749**	596,447
— PRC	**569,172**	370,380
— Europe	**112,260**	52,945
— Rest of the world	**78,889**	34,613
	1,607,070	1,054,385

As at June 30, 2019, the Group's non-current assets (excluding financial instruments and deferred tax assets) are located in Ireland which amounted to RMB817,684,000 (December 31, 2018: RMB549,426,000), the remaining of the non-current assets (excluding financial instruments and deferred tax assets) are primarily located in the PRC.

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group are as follows:

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Customer A	**174,348**	N/A*
Customer B	**N/A***	109,940

* The corresponding revenue did not contribute over 10% of the total revenue of the Group for the period concerned.

5. OTHER INCOME

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Bank interest income	**29,632**	26,264
Government grants related to		
— Assets *(i)*	**3,392**	1,745
— Income *(ii)*	**76,968**	12,806
	109,992	40,815

Notes:

i. The Group has received certain government grants to invest in laboratory equipment. The grants were recognized in profit or loss over the useful lives of the relevant assets.

ii. The government grants have been received for the Group's contribution to the local high-tech industry and economy. These grants are unconditional and accounted for as immediate financial support with neither future related costs expected to be incurred nor related to any assets.

6. OTHER GAINS AND LOSSES

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net foreign exchange (loss) gain	**(2,607)**	44,356
Gain (loss) on derivative financial instruments	**11,885**	(39,313)
Investment income from financial assets at FVTPL	**6,301**	6,194
Gain on non-refundable option fee *(note 18)*	**13,764**	—
Others	**732**	1,112
	30,075	12,349

7. FINANCE COST

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest expense on lease liabilities	**5,708**	—
Less: amounts capitalized	**(1,097)**	—
	4,611	—

8. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging (crediting) the following items:

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Depreciation for plant and equipment	**135,052**	93,702
Less: capitalized in contract costs	**(56,771)**	(36,845)
	78,281	56,857
Depreciation for right-of-use assets	**15,176**	—
Less: capitalized in contract costs	**(504)**	—
capitalized in plant and equipment	**(3,046)**	—
	11,626	—
Staff cost (including directors' emoluments):		
— Salaries and other benefits	**462,165**	266,650
— Retirement benefit scheme contributions	**45,042**	42,297
— Share-based payment expenses	**81,899**	52,146
	589,106	361,093
Less: capitalized in contract costs	**(172,193)**	(51,343)
capitalized in plant and equipment	**(26,873)**	(9,366)
	390,040	300,384
Impairment losses, net of reversal		
— Financial assets measured at amortized cost	**4,784**	23,220
— Contract assets	**4,771**	(3,658)
	9,555	19,562
Amortization of intangible assets	**8,512**	1,388
Amortization of prepaid lease payments	**—**	982
Write-down (reversals) of inventories (included in cost of services)	**1,638**	(14)
Loss on disposal of plant and equipment	**610**	408
Cost of inventories recognized as expense	**288,625**	198,917

9. INCOME TAX EXPENSE

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax:		
— the PRC Enterprise Income Tax ("**EIT**")	**89,745**	51,598
— Hong Kong profits tax	**5,012**	—
— the US Federal and State Income taxes	**523**	536
— the UK Income taxes	**73**	22
Over provision in prior years:		
— EIT	**(23,025)**	(7,307)
	72,328	44,849
Deferred tax:		
— current year	**(9,765)**	(9,344)
	62,563	35,505

The Company is registered as an exempted company and as such is not subject to Cayman Islands taxation.

On March 21, 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on March 28, 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of the group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the EIT rate of the PRC subsidiaries is 25%, with the exception of WuXi Biologics Co., Ltd. ("**WuXi Co**."), WuXi Biologics (Shanghai) Co., Ltd. ("**Shanghai Biologics**") and WuXi Biologics (Suzhou) Co., Ltd. ("**Suzhou Biologics**").

WuXi Co. was accredited as a "High and New Technology Enterprise" on August 5, 2013. In 2016, WuXi Co. applied for renewal of its High and New Technology Enterprise status, which has been approved by the relevant government authorities, and it is entitled to a preferential tax rate of 15% for a three-year period commencing from the beginning of 2016. During the six months ended June 30, 2019, WuXi Co. applied for renewal of its High and New Technology Enterprise status and the relevant government authority is still in the process to assess the High and New Technology Enterprise status. The directors of the Company are of the view that it is very probable that WuXi Co. can get the High and New Technology Enterprise accreditation by end of 2019 based on Company's assessment and historical practice. Accordingly, the estimated tax rate for WuXi Co. for current interim period is 15% (six months ended June 30, 2018: 15%).

Shanghai Biologics was accredited as a "High and New Technology Enterprise" in November 2016 and therefore is entitled to a one year's exemption from EIT followed by three years of 50% tax reduction with effect from the beginning of 2016 in accordance with Guo Fa No. 40. Accordingly, the applicable EIT rate of Shanghai Biologics for the six months ended June 30, 2019 is 12.5% (six months ended June 30, 2018: 12.5%).

Suzhou Biologics was accredited as a "High and New Technology Enterprise" on December 12, 2018 and it is entitled to a preferential tax rate of 15% for a three-year period commencing from the year of 2018. Accordingly, the applicable EIT rate of Suzhou Biologics for the six months ended June 30, 2019 is 15% (six months ended June 30, 2018: 25%).

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

10. DIVIDENDS

No dividends were paid, declared or proposed during the current interim period. The directors of the Company resolved not to declare any interim dividend in respect of the interim period.

11. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings:		
Earnings for the purpose of calculating basic and diluted earnings per share	**450,042**	249,570

	Six months ended June 30,	
	2019	2018
	(Unaudited)	(Unaudited)
Number of Shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,228,412,653**	1,195,738,888
Effect of dilutive potential ordinary shares:		
Share options	**97,967,005**	102,717,854
Restricted shares	**2,946,501**	1,041,461
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,329,326,159**	1,299,498,203

The computation of diluted earnings per share for the six months ended June 30, 2019 and 2018 does not assume the vesting of certain restricted shares granted since its fair value of services yet to be rendered are higher than the average share prices of the Company.

12. INVESTMENT IN AN ASSOCIATE

	As at	
	June 30, 2019	December 31, 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Cost of unlisted investment in an associate	**33,798**	—
Share of post-acquisition profit and other comprehensive income	**309**	—
	34,107	—

As at June 30, 2019, the Group has interests in the following associate:

Name of entity	Country of registration	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
			June 30, 2019	2018	**June 30, 2019**	2018	
Shanghai Duoning Biotechnology Co., Ltd. ("**Duoning**")	PRC	PRC	**9.32%**	—	**20%**	—	Sales of serum-free media and disposable products, formulation production and services

In April 2019, the Group acquired 9.32% of the equity interest in Duoning from independent third parties for a total purchase price of US$5,000,000 (equivalent to RMB33,798,000). The Group is able to exercise significant influence over Duoning because it has the power to appoint one out of the five directors of Duoning under the Articles of Association of Duoning.

Summarized historical financial information in respect of the Group's associate for the current interim period is set out below. The revenue and profit represent the revenue and profit of Duoning (before elimination of the Group's share of unrealized profit) from the acquisition date to June 30, 2019.

	RMB'000
Net assets as at June 30, 2019	**139,894**
Revenue for the period	**16,964**
Profit for the period	**3,065**
The Group's share of profit for the period	**309**

13. EQUITY INSTRUMENTS AT FVTOCI

On June 25, 2018, the Group subscribed 19.9% of the equity interest of Tysana Pte. Ltd. ("**Tysana**"), a Singapore corporation, for a cash consideration of US$9,950,000 (equivalent to approximately RMB68,403,500 as at June 30, 2019). Tysana focuses on the business of infectious diseases drug research, development and commercialization in respect of the monoclonal antibodies.

On July 16, 2018, the Group subscribed 19.9% of the equity interest of Privus Biologics, LLC ("**Privus**"), a limited liability company organized under the law of the State of Delaware, U.S.A., with a consideration of US$9,950,000 (equivalent to approximately RMB68,403,500 as at June 30, 2019). Privus focuses on the business of optimizing, manufacturing and developing pharmaceuticals intended for use in the field containing one or more subject antibodies as an active ingredient.

The Group has no controlling power nor significant influence over the management and the operations of Tysana and Privus. At the date of initial recognition, the Group made an irrevocable election to designate these equity instruments as at FVTOCI as the management of the Company believes that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realizing their performance potential in the long run.

During the six months ended June 30, 2019, the Group managed and evaluated the above unlisted investments purchased on a fair value basis in accordance with the Group's investment strategy. As at June 30, 2019, the directors of the Company are of the opinion that there was no significant fair value change in the FVTOCI investments during the interim period ended June 30, 2019.

Movement of equity instruments at FVTOCI are as follows:

	RMB'000
As at January 1, 2019 (audited)	**136,578**
Exchange adjustments	**229**
As at June 30, 2019 (unaudited)	**136,807**

14. TRADE AND OTHER RECEIVABLES

	As at	
	June 30, 2019	December 31, 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables		
— related parties	**2,045**	8,791
Less: Allowance for credit losses	**(1)**	(3)
— third parties	**931,002**	810,365
Less: Allowance for credit losses	**(61,010)**	(56,295)
	872,036	762,858
Receivables for purchase of raw materials on behalf of customers		
— a related party	**818**	—
— third parties	**98,290**	87,980
Less: Allowance for credit losses	**(957)**	(1,014)
	98,151	86,966
Other receivables	**29,869**	24,604
Advances to suppliers	**15,042**	18,647
Prepayments	**7,227**	3,153
Custom duty recoverable	**—**	1,669
Value added tax recoverable	**214,753**	169,338
	266,891	217,411
Total trade and other receivables	**1,237,078**	1,067,235

The Group allows a credit period ranging from 10 to 90 days to its customers. The following is an age analysis of trade receivables (net of allowance for doubtful debts) presented based on the invoice dates, at the end of the reporting period:

	As at	
	June 30, 2019	December 31, 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 90 days	**765,786**	698,060
91 days to 1 year	**99,501**	60,556
Over 1 year	**6,749**	4,242
	872,036	762,858

The movement in the allowance for expected credit losses ("ECL") in respect of trade receivables in accordance with the simplified approach set out in IFRS 9 during the current interim period was as follows:

	Lifetime ECL
	RMB'000
As at January 1, 2018 (audited)	13,853
— Impairment losses recognized	21,976
— Impairment losses reversed	(26)
As at June 30, 2018 (unaudited)	35,803
— Impairment losses recognized	42,530
— Impairment losses reversed	(4,206)
— Write-offs	(17,829)
As at December 31, 2018 and January 1, 2019 (audited)	56,298
— Impairment losses recognized	9,122
— Impairment losses reversed	(4,281)
— Write-offs	(253)
— Exchange adjustments	125
As at June 30, 2019 (unaudited)	61,011

15. CONTRACT ASSETS

	As at	
	June 30, 2019	December 31, 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Contract assets		
— third parties	**24,571**	42,657
— loss allowance for contract assets	**(11,402)**	(6,631)
	13,169	36,026

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance in achieving specified milestones as stipulated in the contract.

The movement in the allowance for ECL in respect of contract assets in accordance with the simplified approach set out in IFRS 9 during the current interim period was as follows:

	Lifetime ECL ***RMB'000***
As at January 1, 2018 (audited)	10,962
— Impairment losses recognized	464
— Impairment losses reversed	(4,122)
As at June 30, 2018 (unaudited)	7,304
— Impairment losses recognized	2,367
— Impairment losses reversed	(3,040)
As at December 31, 2018 and January 1, 2019 (audited)	6,631
— Impairment losses recognized	4,785
— Impairment losses reversed	(14)
As at June 30, 2019 (unaudited)	11,402

16. FINANCIAL ASSETS AT FVTPL

	As at	
	June 30, 2019	December 31, 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Unlisted equity investments	**185,552**	55,699

In May 2018 and January 2019, the Group entered into agreements to purchase 429,799 and 1,719,197 Series Mezzanine 2 Preferred Shares of Inhibrx, Inc. ("**Inhibrx**") for cash consideration of US$3,000,000 (equivalent to approximately RMB20,624,000 as at June 30, 2019) and US$12,000,000 (equivalent to approximately RMB82,497,000 as at June 30, 2019) respectively.

In September 2018 and January 2019, the Group entered into agreements to purchase 481,454 Series C-1 and 481,454 Series C-3 Preferred Shares of Canbridge Pharmaceuticals Inc. ("**Canbridge**") for a cash consideration of US$5,000,000 (equivalent to approximately RMB34,373,000 as at June 30, 2019) and US$5,000,000 (equivalent to approximately RMB34,373,000 as at June 30, 2019) respectively.

In March 2019, the Group entered into an agreement to purchase 2,856,055 Series A Preferred Shares of Virtuoso Therapeutics, Inc. ("**Virtuoso**") for a cash consideration of US$1,875,000 (equivalent to approximately RMB12,889,000 as at June 30, 2019).

During the current interim period, the Group managed and evaluated the unlisted investment performance of preferred shares purchased on a fair value basis in accordance with the Group's investment strategy.

Movement of financial assets at FVTPL are as follows:

	Inhibrx *RMB'000*	**Canbridge** *RMB'000*	**Virtuoso** *RMB'000*	**Total** *RMB'000*
As at January 1, 2018 (audited)	—	—	—	—
Addition	19,130	—	—	19,130
Exchange adjustments	720	—	—	720
As at June 30, 2018 (unaudited)	19,850	—	—	19,850
Addition	—	34,195	—	34,195
Fair value change	—	796	—	796
Exchange adjustments	740	118	—	858
As at December 31, 2018 and January 1, 2019 (audited)	20,590	35,109	—	55,699
Addition	82,178	33,672	12,572	128,422
Exchange adjustments	353	761	317	1,431
As at June 30, 2019 (unaudited)	103,121	69,542	12,889	185,552

17. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS/TIME DEPOSITS

Bank balances and cash of the Group comprised of cash and short term bank deposits with an original maturity of three months or less. The short term bank deposits carried interests at market rates which ranged from 0.001% to 3.55% per annum as at June 30, 2019 (December 31, 2018: from 0.001% to 3.55% per annum).

Certain deposits are pledged to banks as collateral for the issue of standby letter of credit by the banks in connection with the purchase of raw materials, and plant and equipment by the Group.

The time deposits as at June 30, 2019 carried fixed interests rate from 3.06% to 3.46% per annum and have maturity over three months.

18. TRADE AND OTHER PAYABLES

	As at	
	June 30, 2019	December 31, 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables		
— related parties	**4,339**	9,143
— third parties	**246,363**	211,840
	250,702	220,983
Other payables		
— a related party	**474**	—
— third parties	**108,623**	107,855
	109,097	107,855
Option fee received *(Note)*	**—**	27,453
Advance from a customer *(Note)*	**13,749**	—
Payable for purchase of plant and equipment	**299,015**	210,052
Salary and bonus payables	**116,197**	142,161
Other taxes payable	**3,864**	3,275
	792,624	711,779

Note:

The balance of December 31, 2018 represented a US$4 million non-refundable option fee received from an independent third party for granting the party an option to purchase certain of the Group's assets. In December 2015, an agreement (hereafter referred to as the "**Option to Purchase Agreement**") was entered into between the Company and a Company's strategic customer, pursuant to which the Company granted the customer an option to acquire certain of its biologics manufacturing facilities. The total consideration for the option was US$8 million, 50% of which had been paid in March 2016 and the remaining 50% would be payable upon the Company completing certain required documentations. Pursuant to the Option to Purchase Agreement, the customer has a right to exercise the purchase option on or before June 30, 2020, which upon mutual agreement between the Company and the customer, may be extended until no later than June 30, 2023. Should the customer choose to exercise the purchase option, it has to pay the Company an acquisition price for the biologics manufacturing facilities determined on the basis as specified in the Option to Purchase Agreement; and the Company has to fulfill certain stipulated conditions including completing the transfer of the title of the biologics manufacturing facilities to the customer or its designated person, and obtaining all necessary regulatory approvals and consents in relation to the transfer of the facilities. The option fee would then be applied for part payment for the manufacturing facilities acquisition price. Should the customer choose to terminate the agreement without exercising the purchase option, the customer could apply the option fee to pay for any service fees due and payable to the Group for services rendered by the Group, up to a maximum of 50% of the option fee paid, and the remaining 50% will become forfeited payment to the Group.

During the current interim period, the Group acknowledged receipt of termination notice to the Option to Purchase Agreement from the independent third party, and accordingly US$2 million (equivalent to RMB13,749,000) is reclassified to "advance from a customer" and the remaining US$2 million (equivalent to RMB13,764,000) is recognized as "other gains and losses".

Payment terms with suppliers are mainly on credit within 90 days from the time when the goods are received from the suppliers. The following is an age analysis of trade payables presented based on invoice date at the end of the reporting period:

	As at	
	June 30, 2019	December 31, 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within three months	**235,688**	192,189
Over three months but within one year	**11,412**	27,721
Over one year but within two years	**3,602**	1,073
	250,702	220,983

19. CONTRACT LIABILITIES

	As at	
	June 30, 2019	December 31, 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Contract liabilities — third parties	**416,185**	499,743

20. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

	Assets		Liabilities	
	June 30, 2019	December 31, 2018	**June 30, 2019**	December 31, 2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Derivatives not under hedge accounting				
Foreign currency forward contracts — current	**—**	—	**2,267**	14,010

	Assets		Liabilities	
	June 30, 2019	December 31, 2018	**June 30, 2019**	December 31, 2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Derivatives under hedge accounting				
Foreign currency forward contracts — Cash flow hedges	**16,897**	16,721	**4,916**	5,058
Less: current portion	**(15,944)**	(6,874)	**(4,848)**	(4,981)
Non-current portion	**953**	9,847	**68**	77

Derivatives not under hedge accounting

The Group entered into several USD/RMB foreign currency forward contracts with banks in order to manage the Group's currency risk. Under the foreign currency forward contracts, the Group will pay to the bank notional amount of USD and receive from the bank an amount in RMB equal to the product of the relevant notional amount of USD and the relevant forward rate as specified within the respective contracts.

Extracts of major terms of foreign currency forward contracts on a net settlement basis from the respective contracts as at June 30, 2019 are as follows:

	Average strike/ forward rate	**Foreign currency** *USD'000*	**Total outstanding notional value** *RMB'000*	**Fair value liabilities** *RMB'000*
Sell USD				
Less than 3 months	6.7260	15,000	100,890	2,267

The Group did not elect to adopt hedge accounting for these contracts and therefore, for the six months ended June 30, 2019, gains for unsettled foreign currency forward contracts of RMB11,885,000 was recognized as "gain on derivative financial instruments" in other gains and losses, and losses for settled foreign currency forward contracts of RMB6,873,000 was recognized as "net foreign exchange loss" in other gains and losses.

Derivatives under hedge accounting

The Group entered into foreign currency forward contracts with banks to manage its foreign exchange rate risk arising from anticipated future foreign currency sales transactions up to 18 months, in particular, the exchange rate between USD and RMB, which are designated as cash flow hedges. The major terms of these contracts on a net settlement basis as at June 30, 2019 are as follows:

	Average strike/ forward rate	**Foreign currency** *USD'000*	**Total outstanding notional value** *RMB'000*	**Fair value assets** *RMB'000*
Sell USD				
Less than 3 months	6.8820-6.9445	53,000	366,206	1,973
4 to 6 months	6.8820-7.0410	86,600	599,454	3,612
7 to 12 months	6.9090-7.0067	182,000	1,265,764	10,359
13 to 18 months	6.9703-7.0033	14,000	97,756	953

	Average strike/ forward rate	Foreign currency *USD'000*	Total outstanding notional value *RMB'000*	Fair value liabilities *RMB'000*
Sell USD				
Less than 3 months	6.7750-6.8630	38,000	259,388	1,791
4 to 6 months	6.7750-6.8820	19,000	129,153	1,612
7 to 12 months	6.7540-6.9103	29,000	198,698	1,445
13 to 18 months	6.8820	2,000	13,764	68

As at June 30, 2019, the aggregate amount of gains after tax under foreign currency forward contracts recognized in other comprehensive income and accumulated in the cash flow hedging reserve relating to the exposure on anticipated future sales transactions denominated in USD is RMB11,995,000. It is anticipated that the sales will take place within next 18 months at which time the amount deferred in equity will be recycled to profit or loss.

During the current interim period, gains relating to the ineffective portion of RMB4,478,000 is recognized immediately in profit or loss, and is included as "net foreign exchange gain" in other gains and losses.

During the current interim period, amounts previously recognized in other comprehensive income and accumulated in equity of RMB8,074,000 are reclassified to revenue when the hedged item affects profit or loss.

21. SHARE CAPITAL

	Number of shares	Amount *US$*
ORDINARY SHARES OF US$0.000025 EACH AUTHORIZED:		
At June 30, 2019, December 31, 2018 and January 1, 2018	2,000,000,000	50,000

ISSUED AND FULLY PAID:

	Number of shares	Amount *US$*	Shown in the financial statements as *RMB'000*
At January 1, 2018 (Audited)	1,163,065,057	29,077	192
Issue of new shares	57,000,000	1,425	8
Exercise of pre-IPO share options	4,514,318	113	1
At June 30, 2018 (Unaudited)	1,224,579,375	30,615	201
Exercise of pre-IPO share options	1,362,015	34	1
At December 31, 2018 and January 1, 2019 (Audited)	1,225,941,390	30,649	202
Issue of new shares *(note (a))*	8,184,866	205	1
Exercise of pre-IPO share options	4,348,319	109	1
At June 30, 2019 (Unaudited)	1,238,474,575	30,963	204

Note:

(a) On May 30, 2019, the Company issued and allotted 8,184,866 new ordinary shares at nil consideration to trustee under the Restricted Share Award Scheme.

(b) All the shares issued by the Company ranked pari passu in all respects.

"Audit Committee"	the audit committee of the Board
"Biologics Holdings"	WuXi Biologics Holdings Limited, a company incorporated under the laws of the British Virgin Islands on December 17, 2015 with limited liability, and a controlling shareholder of the Company
"Board" or "Board of Directors"	the board of Directors of the Company
"CDMO"	Contract development and manufacturing organization
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"cGMP"	Current Good Manufacturing Practice regulations, regulations enforced by the Food and Drug Administration of the United States on pharmaceutical and biotech firms to ensure that the products produced meet specific requirements for identity, strength, quality and purity
"Chairman"	the Chairman of the Board
"China" or the "PRC"	the People's Republic of China excluding, for the purpose of this announcement, Hong Kong, Macau Special Administrative Region and Taiwan
"Company"	WuXi Biologics (Cayman) Inc. (藥明生物技術有限公司*), an exempted company incorporated in the Cayman Islands with limited liability on February 27, 2014
"Director(s)"	the director(s) of the Company
"EU"	the European Union
"EU EMA"	European Medicines Agency
"GMP"	Good Manufacturing Practice
"Group" or "we" or "our"	the Company and its subsidiaries

"H.K. dollar(s)" or "HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"HKEX"	Hong Kong Exchanges and Clearing Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IFRS"	International Financial Reporting Standards
"IND"	investigational new drug, an experimental drug for which a pharmaceutical company obtains permission to ship across jurisdictions (usually to clinical investigators) before a marketing application for the drug has been approved
"Listing" or "IPO"	the listing of the Shares on the Main Board of the Stock Exchange on June 13, 2017
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"Main Board"	Main Board of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme adopted by the Company on January 5, 2016, and amended on August 10, 2016, the principal terms of which are summarized in "Statutory and General Information — E. Pre-IPO Share Option Scheme" in Appendix IV to the Prospectus
"Prospectus"	the prospectus issued by the Company dated May 31, 2017
"Restricted Share Award Scheme"	the restricted share award scheme adopted by the Company on January 15, 2018
"Reporting Period"	the six-month period from January 1, 2019 to June 30, 2019
"Renminbi" or "RMB"	Renminbi Yuan, the lawful currency of the PRC
"Shareholder(s)"	holder(s) of Share(s)

"Share(s)"	ordinary share(s) in the capital of the Company with nominal value of US$0.000025 each
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"U.S. dollar(s)" or "US$" or "USD"	United States dollar(s), the lawful currency of the United States of America
U.S. FDA	The Food and Drug Administration of the United States of America
"Written Guidelines"	the Written Guidelines for Securities Transactions by Directors adopted by the Company

In this announcement, the terms "associate", "connected person", "controlling shareholder" and "subsidiary" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

For and on behalf of
WuXi Biologics (Cayman) Inc.
Dr. Ge Li
Chairman

Hong Kong, August 19, 2019

As at the date of this announcement, the Board comprises Dr. Zhisheng Chen and Dr. Weichang Zhou as executive Directors; Dr. Ge Li, Mr. Edward Hu, Mr. Yibing Wu and Mr. Yanling Cao as non-executive Directors; and Mr. William Robert Keller, Mr. Teh-Ming Walter Kwauk and Mr. Wo Felix Fong as independent non-executive Directors.

* *For identification purpose only*